

**STATE OF MCHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

**CPA Insurance Company
NAIC# 30082**

Enforcement Case No. 07-5055

Respondent
_____ /

Issued and entered
on August 5, 2008
by Peggy Bryson
Acting Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

It is alleged that the following statements are true and correct:

1. At all pertinent times, CPA Insurance Company (Respondent) was an insurer authorized to transact the business of insurance in this state.
2. At all pertinent times, William J. Ross, III, was the President and owner of Respondent.
3. As a licensed insurer Respondent knew or had reason to know that Section 5252(1) of the Code, MCL 500.5252(1), provides:

A director or officer of an insurance corporation doing business in this state shall not knowingly and intentionally, directly or indirectly, receive any money or valuable thing for negotiating, procuring, recommending, or aiding in any purchase by or sale to such corporation of any property or any loan from such corporation, or be pecuniarily interested, either as principal, co-principal, agent, or beneficiary in any such purchase, sale, or loan.

COUNT I

4. The Office of Financial and Insurance Regulation conducted an examination of Respondent in 2004; the examination revealed that during the calendar year 2004, \$454,532 of personal expenses and \$12,892 of unsupported business expenses flowed through Respondent's business accounts.
5. Respondent issued checks from its Florida bank account for non-business related expenses totaling \$122,159. Respondent recorded these expenses as salary advances. Respondent's 2005 annual statement disclosed advances to one of its officers in the amount of \$287,289. Respondent also had an outstanding liability of \$284,997 as of December 31, 2005, for money borrowed on an established line of credit with Northern Trust Bank of Florida. All assets in Respondent's investment management account with Northern Trust Bank were pledged as collateral security for the line of credit. In addition, Respondent's December 31, 2006 quarterly statement reported additional transactions with a remaining balance of \$82,146.
6. Since 2001, Respondent has issued a \$300,000 payment for personal expenses to a third party in January of every year. These payments were scheduled to continue through 2006. The funds were returned to Respondent in March of each year through an extraordinary dividend and the president's salary.
7. Respondent regularly paid several business and non-business related invoices in full, and charged back a portion of the balance to its president. The chargeback percentage varied depending on the nature of the expense. In the calendar year of 2004, \$32,373 was recorded as a salary advance for expenses charged back to Respondent's President.
8. Respondent was unable to provide any documentation to support the business use of its leased vehicle. Respondent asserts that the vehicle usage is 40 percent business and 60 percent personal use. However, Respondent has provided no documentation to support the rationale for these percentages. Absent this documentation, Respondent's share of expenses appears extremely high given the location of the vehicle in Florida, the limited business written in Florida, and the \$12,892 in business related gasoline expenses incurred by Respondent in 2004.
9. Respondent's President had outstanding balances during the years of 2006 and 2007 in the amount of \$193,546 and \$935,000, respectively. The foregoing balances were repaid to the Respondent on July 20, 2006, and throughout 2007.

COUNT II

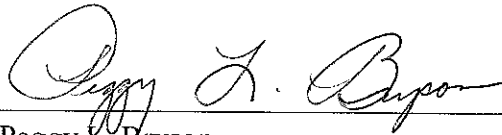
10. On or about May 15, 2003, the Commissioner issued and entered a Stipulation to Consent Order and Consent Order against the Respondent.
11. The Commissioner found that the Respondent violated Section 5252(1) of the Code and ordered the Respondent to cease and desist from violating Section 5252(1) of the Code.

12. Respondent has violated this Consent Order, as shown by the actions listed in Count I.

B. ORDER

Based on the findings of fact and conclusions of law above and Respondent's stipulation, it is **ORDERED** that:

1. Respondent shall immediately cease and desist from operating in such a manner as to violate Section 5252(1) of the Code, MCL 500.5252(1).
2. Respondent shall pay to the State of Michigan a civil fine of ten thousand dollars (\$10,000.00). Upon execution of this Order, OFIR will send Respondent an Invoice for the civil fine, which shall be due within 30 days of issuance of the Invoice.



Peggy L. Bryson

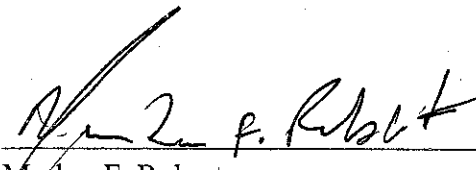
Acting Chief Deputy Commissioner

Dated: August 5, 2008

C. STIPULATION

I have read and understand the consent order above. I agree that the Acting Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. I waive the right to a hearing in this matter if this consent order is issued. I understand that this stipulation and consent order will be presented to the Acting Chief Deputy Commissioner for approval and the Acting Chief Deputy Commissioner may or may not issue this consent order. I waive any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. I admit the facts set forth in the above consent order and agree to the entry of this order.

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Acting Chief Deputy Commissioner issue the above consent order.



Marlon F. Roberts
Staff Attorney

Dated: 7/21/08